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Chairman: Mr. MacKay ..... (New Zealand)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kuznetsov

Contents

Agenda item 110: Improving the financial situation of the United Nations

Organization of work

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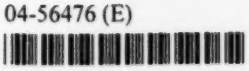

The meeting was called to order at 10.15 a.m.

Agenda item 110: Improving the financial situation of the United Nations

Statement by the Under-Secretary-General for Management

1. **Ms. Bertini** (Under-Secretary-General for Management) said that the United Nations must have a strong and dependable financial base in order to carry out the many important tasks entrusted to it by Member States. While there had been progress in that direction, some serious problems remained. She would focus in her presentation on three main indicators: assessments and amounts paid; cash on hand; and debt owed to Member States. She would provide information on the status of those indicators as at 15 October 2004 and forecasts of the situation at year-end.

2. The increase in the level of United Nations activities in 2004 had led to a commensurate rise in the level of assessments approved by the General Assembly. With regard to the two International Criminal Tribunals, the number of Member States that had paid their assessed contributions in full was up but remained disturbingly low. Overall, the financial situation of the two Tribunals was critical: between 2002 and 2003, unpaid assessments had doubled to almost $88 million. As at 15 October 2004, that amount had fallen slightly to $80 million, and significant payments were expected by 31 December 2004. However, the shortfall would still be unacceptably high. Of the $80 million outstanding, the United States of America accounted for $31 million, Japan $19 million, Brazil $10 million, Argentina $5 million and Mexico $3 million. The balance of $12 million was owed by 108 other Member States. Thirteen Member States had paid no assessed contributions to the two Tribunals since their establishment. She wished to thank the 78 Member States that were fully paid up for the two Tribunals and to urge other Member States to follow their example.

3. Concerning the regular budget, unpaid assessments had totalled over $725 million as at 15 October 2004, exceeding the amount outstanding at the same time in 2003 by more than $35 million. She understood, however, that the major contributor would shortly make a payment of approximately $300 million. The continuing high level of unpaid regular budget assessments had negative implications for the core activities of the United Nations. Of the $725 million outstanding, the United States owed $530 million, Brazil $75 million and Argentina $29 million. By mid-October, 111 Member States had paid their regular budget assessments in full, compared with 118 in 2003, while 52 had made some payments and 28 had made no payments at all. After declining in 2001 and 2002, the number of Member States fully paid up for the regular budget at year-end had increased in 2003, and she trusted that that trend would continue. She expressed appreciation to the 111 Member States that had fulfilled their obligations in respect of the regular budget and appealed to the remaining 80 Member States to make every effort to pay their regular budget assessments as soon as possible.

4. As to peacekeeping operations, aggregate assessments had increased to over $4 billion by 15 October 2004, owing to new missions in Burundi, Côte d'Ivoire and Haiti. Depending on action to be taken by the General Assembly and the Security Council, that figure might rise still further. Unpaid assessments had totalled $2.5 billion, compared with $1.5 billion at the same time in 2003. While the size of the outstanding amount was a cause for concern, it should be seen in the light of the level of the assessments issued in 2004 and the fact that significant sums had been assessed in July, August and September. Indeed, assessments of over $800 million issued on 30 September 2004 were still within the 30-day due period. Of the $2.5 billion outstanding on 15 October 2004, $881 million had been due from the United States, $567 million from Japan, $153 million from Ukraine and $107 million from Italy. She was pleased to announce that, subsequently, an additional $357 million had been received for peacekeeping operations, including $328 million from the United States. Eighteen Member States had paid all peacekeeping assessments due and payable as at 15 October 2004. In addition, Azerbaijan, Canada, New Zealand and Singapore had paid in full the assessments issued on 30 September 2004.

5. With regard to the second indicator, cash on hand, the Organization had begun the year with $23 million of cash available for the regular budget and in related reserve accounts. Cross-borrowing to support regular budget activities had been necessary only once, for two weeks in September. Based on information provided by the major contributor, the regular budget and related

reserve accounts were expected to end the year with a positive cash balance of $96 million.

6. According to current projections, cash available in peacekeeping accounts would total $1.4 billion at year-end. Of that amount, just over $1 billion would be in the accounts of active missions, $152 million in the Peacekeeping Reserve Fund and $265 million in the accounts of closed peacekeeping operations. The relatively large amount of cash forecast for the accounts of active missions reflected some slowness in the reimbursement of amounts owed to Member States because of delays in deployment and in the signing of memorandums of understanding for new peacekeeping operations. Of the $265 million in closed peacekeeping accounts, $144 million would be payable to Member States and others or was held in accounts with negative net cash balances. As to the remaining $121 million, a decision was pending on the return of $94 million to Member States. Accordingly, as little as $27 million could be available for cross-borrowing. To put that amount in perspective, she noted that the two Tribunals had begun the year owing the closed peacekeeping accounts $73 million, a sum that had been repaid gradually in the course of the first quarter. In addition, active missions had borrowed from the closed peacekeeping accounts eight times in 2004 and, as she had previously stated, the Administration had resorted to cross-borrowing to support regular budget activities. Borrowing from the accounts of closed peacekeeping operations had regularly exceeded the $27 million level in 2004. If cash available in those accounts remained low and regular budget and Tribunal assessments were not paid, the Administration would have no option but to curtail certain activities.

7. Concerning the third indicator, the Administration had forecast in May that debt owed to Member States for troop and equipment costs would total $574 million as at 31 December 2004. Subsequently, that forecast had been revised upwards, to $605 million. That increase was primarily due to the deployment of troops and contingent-owned equipment in new missions in Burundi, Côte d'Ivoire and Haiti. Other factors included faster than expected troop deployment in the United Nations Mission in Liberia (UNMIL). Also, the number of memorandums of understanding signed for contingent-owned equipment in all recent missions had been higher than anticipated. She was pleased to note that reimbursements for troop costs had exceeded projections, since contributions for active missions had been received more promptly than in recent years. The Administration expected to be able to pay for troop costs in most missions up to the end of October 2004, rather than September as had been projected. Payments for equipment costs were projected to be between three and six months in arrears by year-end, compared with nine months as at 31 December 2003. An exception was the United Nations Interim Administration Mission in Kosovo (UNMIK), where personnel liabilities had been paid up to the end of December 2003, as well as a portion of the amount owed for contingent-owned equipment. The Secretary-General remained committed to reducing as far as possible the amount of debt owed to Member States, taking into account the operational requirements of each mission. However, his ability to do so would depend on the extent to which Member States met their financial obligations to the United Nations.

8. She paid tribute to the 18 Member States — Azerbaijan, Canada, Croatia, the Czech Republic, Denmark, Estonia, Finland, Hungary, Ireland, New Zealand, Norway, the Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, the United Kingdom and Zimbabwe — that had paid all assessments due and payable as at 15 October 2004 and to the 2 Member States — the Netherlands and Sweden — that had paid their assessments in full since that date. While the financial situation of the United Nations had improved in many respects, some areas of concern remained because too few Member States paid their assessed contributions in full and on time. Member States should review their budget processes with a view to facilitating full and timely payment and placing the Organization on a more stable financial footing.

Organization of work

9. **The Chairman** noted with concern that, according to the data on utilization of conference resources, the Committee had lost time because of the late start of meetings. He urged delegates to arrive promptly so that meetings could begin at the scheduled time.

The meeting rose at 10.50 a.m.